

## **History Project Research Report**

Paula Vedoveli

Nov 02<sup>nd</sup> 2016

Dissertation Title: “Private Capital, Public Debt: A global history of Brazil and Argentina’s integration into international financial markets from 1855 to 1906”<sup>1</sup>

Research Grant 2015/2016

### *Overview*

The rise of financial capitalism in the second half of the 19<sup>th</sup> century and the slow emergence of a world economy raise a number of questions. One particularly important question is how states and individuals developed strategies to guarantee access to resources in a world of fierce competition for capital. On the other hand, how did capitalists determine the creditworthiness of potential borrowers? My dissertation “Private Capital, Public Debt: A global history of Brazil and Argentina’s integration into international financial markets from 1855 to 1906” examines this question through an analysis of Brazil and Argentina’s integration into 19<sup>th</sup> century financial international markets, mainly London and Paris. It is particularly interested in financial operations that increased the stock of public debt, including the issue of government bonds and of loans that were expressly guaranteed by state revenues. It looks at the strategies employed by the actors involved in such negotiations and at the institutions in place both within state boundaries and at the international centers where they raised capital. The success of these strategies, as this dissertation shows, was directly related to how they managed their private capital and navigated institutional worlds that often posed competing costs and rewards.

---

<sup>1</sup> The former title of this project was ‘Credibility and Imperial Orders in the second half of the 19<sup>th</sup> century’.

The fact that Argentina and Brazil were not formally part of any imperial order but interacted with centers of imperial power allows us to analyze the dynamics between imperial competition and the formation of nation-states before decolonization in the 20<sup>th</sup> century. At the same time, it contributes to the literature on how financial practices and norms spread and become absorbed within local institutional contexts. In this sense, this dissertation will contribute to the literature that aims at making Latin American history more *global* by avoiding narratives of exceptionalism and by focusing on the synchronicity of how these two states responded to their status as deficit countries during their integration into this emerging world economy.

Issues of creditworthiness and credibility are not examined in my dissertation as the outcome of abstract indicators of countries' performance. Instead, they are seen as the result of deliberate efforts on the part of all those actors engaged in financial operations. The first contribution of this approach is that it shows how narratives that position capital flows as determined by impersonal forces are insufficient. By looking at the actors that shaped such capital flows, we advance the question of responsibility in the management of financial resources and show how the expansion of financial capitalism depended intimately on their performance. Secondly, we also are able to better understand both how international markets worked, and the choices and challenges faced by peripheral economies and young states in raising capital at international capital markets that were also centers of imperial power.

### *Archival Research*

My dissertation is supported by work in 5 countries, 17 cities, and 31 archives. It draws on government papers, private correspondence of individuals and collectivities, at newspapers, journals, rare books, and photographs. It also actively engages with scholarship produced in France, Switzerland, the United States, Germany, the United Kingdom, Brazil, and Argentina. Thus, it aims at producing scholarship that is globally engaged both at the levels of archival material and the secondary literature available. However, the claim to global is not limited to the material with which it engages. It is

also in the understanding that processes here analyzed were the result of trends converging worldwide, and that the story told for the cases of Brazil and Argentina, though particular, can also be expanded to understand similar instances of integration into the financial dimension of the world economy. None of this would have been possible without the generous support of the History Project at Harvard and the Institute for New Economic Thinking through the granting of a research award for the 2015/2016 academic year.

Archival research for this project began in London at the Rothschild Archive, the Baring Archive, and the Bank of England over the spring of 2015 following a quick exploratory research trip during the summer of 2014. The Rothschild and Baring archives hold an abundance of documents relating to Latin America in the 19<sup>th</sup> century, given that both houses had large business interests in the region. My reading of the letters exchanged between both the Brazilian government and the Rothschilds and the Argentine government and Barings allowed me to start mapping the central actors in both sides of the Atlantic and to identify the main turning points in the narrative.

After four months of delving into such rich collections, I was ready to broaden the scope of my investigation. Thus, during the summer of 2015 I traveled around the United Kingdom tracking collections of British statesmen who held crucial government posts during the period. I was at the time considering the validity of a hypothesis that held much cadence in the literature on British-Latin American relations: the formation of an *informal empire* in the region during the 19<sup>th</sup> century through Latin America's dependence upon British capital. In Liverpool I looked at the private papers of the 15<sup>th</sup> Earl of Derby, Edward Stanley, who was Secretary of State for Foreign Affairs during 1866-8 and 1874-1878. In Southampton I checked the Palmerston papers, a collection of private papers from the 3<sup>rd</sup> Viscount Palmerston, Henry John Temple, who served as Prime Minister during 1855-8 and 1859-65. Finally, in Oxford and Cambridge I consulted several collections of private papers of members of the British government cabinet, which included the papers of John Wodehouse, 1<sup>st</sup> Earl of Kimberley, of Lord Randolph Churchill and of George William Frederick Villiers, 4<sup>th</sup> Earl of Clarendon. The

results of these investigations led me to question the utility of characterizing the nature of British-Latin American relations as an informal empire. However, more importantly, it allowed me to develop a better understanding of how the British cabinet reacted to problems posed by sovereign borrowing in the City. It also indicated to me that the relationship between businessmen and British government officials in London was much more multifaceted and complex than we are led to believe by narratives based on the idea of an informal empire.

After presenting the initial results of my research at a conference in Tokyo in early September, fall and early winter of 2015 was dedicated to research in the Brazilian archives. This was my first archival trip to the country within the context of this project and the idea was to use it to further identify actors that were directly or indirectly involved in financial operations that raised the stock of public debt. Even though I had done research for previous projects in some of these archives, I was deeply surprised with the wealth of archival material I found during this visit: over the period of two months I visited six archives and four cities. In Rio de Janeiro I conducted research at the Biblioteca Nacional, the Instituto Histórico e Geográfico Brasileiro (IHGB), the Arquivo Histórico do Itamaraty, and the Casa de Rui Barbosa. In Petrópolis I visited the Arquivo Histórico do Museu Imperial and in Recife the Fundação Joaquim Nabuco. In São Paulo I had the opportunity to meet scholars that work on the period covered by my dissertation.

At the Casa de Rui Barbosa I mainly consulted three collections: the Família Rui Barbosa collection; the Antonio Jacobina papers and the Rui Barbosa papers. Rui Barbosa was Finance Minister during the episode known as Encilhamento, a financial bubble that burst during the first years of the Republic. There is a fragile consensus in the literature that Barbosa's actions exacerbated the economic crisis that began at the end of the Empire. I have uncovered new evidence, which I am hoping to use to better understand his role in this process and the content of the financial policies he pursued as Finance Minister (1889-1891). Rui Barbosa is the personification of a turning point in my dissertation's narrative, when Brazil's financial credibility – following Argentina's path – was being eroded in London and Paris. Brazilian governments of the 1890s and early

1900s would then try to solve the problem of how to restore Brazil's credit at the same time that they were facing social and political domestic upheavals.

At the Biblioteca Nacional I consulted the Tobias Monteiro collection and what was open to public access in the case of the José Carlos Rodrigues papers. The Tobias Monteiro collection holds a small part of the Barão de Penedo's papers. Penedo was the Brazilian minister in London for most of the second half of the 19<sup>th</sup> century, having arrived in 1855 and left in 1888. The Brazilian legation in London was known for its importance to the Treasury in Rio de Janeiro given its immediate access to the London capital market, and the Brazilian minister in residence was charged with the responsibility of securing resources for the country in the City. Penedo was for many years the main broker in London for the Brazilian government and Brazilian subjects alongside British bankers. With the dawn of the Republic in Brazil, this role would be performed by José Carlos Rodrigues in a semi-official position and by João Arthur Souza Correia, Penedo's disciple, in his official capacity as the Brazilian minister in the 1890s in London.<sup>2</sup>

In Recife I visited the Fundação Joaquim Nabuco, which holds the bulk of Nabuco's papers available in public institutions. Nabuco was both Penedo's and Souza Correia's intimate friend, and, because of them, enjoyed close contact with the Rothschilds. Later, in 1900, he would become the Brazilian minister in London, his appointment being the direct result of Rothschilds' intervention. The collection contains Nabuco's correspondence with Penedo, Souza Correia, and other politicians and businessmen during the Empire and later in the Republic. Through an analysis of his trajectory I am able to trace the transformation of the Brazilian legation's role in London in the early 1900s, when federal loans started to compete with bonds issued by Brazilian states and municipalities in the City and in Paris.

---

<sup>2</sup> At the Biblioteca there is also a volume currently out of access that seems to compile most of Rodrigues' financial correspondence during this period. I have petitioned the Biblioteca for access and I was told I will be given access after the restoration process is completed in February 2017.

At the Museu Imperial in Petrópolis I looked at the following collections: Visconde de Itaboraay papers, Zacharias de Goes papers, Kennedy Light papers, Salgado Zenha papers, Sinimbu papers, and João Alfredo papers. They all hold papers of Brazilian politicians who acted as Finance Ministers during the Empire; João Alfredo papers, for example, has unraveled the narrative of the demise of Penedo's prominence and the appearance of new, competing agents for the Brazilian government in London and Paris at the end of the Empire.

Itamaraty holds most of Penedo's extensive personal archive. My contact with this collection also unveiled several new supporting characters in my narrative, like Frederick Youle, a British businessman with particular interest in Brazilian and Portuguese finances and the voice in the City for issues involving both countries, several chairmen of companies which operated in Brazil, but whose board was in London, and journalists who wrote to different newspapers in London and Paris. All of them were part of a network carefully put together by Penedo and supported by the legation in London as a way of supporting Brazilian credit in the City.

At the IHGB I looked at the following collections during this initial trip: Barão de Mauá papers and José Carlos Rodrigues papers. Both are very extensive collections and, given the IHGB's policy of not allowing photographs it took me several weeks to read through part of the material. It was in any case a great surprise to realize how the collections held by the IHGB are rich and decisively important to my project. Barão de Mauá himself was a prominent entrepreneur and one of the few that managed to build relationships with businessmen and entrepreneurs operating in London without the immediate help of the Brazilian legation in the United Kingdom. José Carlos Rodrigues, in the meanwhile, held a prominent role during the first decades of the Republican regimes in Brazil as the owner and editor of the main Brazilian newspaper and as the person in charge of negotiating the rescission of government guarantees to Anglo-Brazilian enterprises in London.

My second research trip to Brazil, in February and March 2016, was mainly devoted to further work at the IHGB and the Itamaraty. At the IHGB I consulted collections of other Brazilian politicians and statesmen, namely the Cotegipe papers, the Eduardo Prado papers, the Francisco Belisário papers, the Visconde de Ourem papers, the Prudente de Moraes papers, and the Rodrigues Alves papers. At the Itamaraty, I returned to the Penedo papers and also looked at the Souza Correia papers and the Joaquim Nabuco collection.<sup>3</sup>

In April 2016 I had the opportunity to conduct my first archival research trip in Buenos Aires, Argentina, in the context of this project. During this trip I first visited the Archivo Histórico de la Cancillería Argentina to see if I could find collections of either government or private correspondence that involved the Argentine legations in London and Paris – like I found in the case of Brazil. The Argentine case is more complex due to the fact that Buenos Aires contested the Argentine Republic's claim to sovereignty over the national territory during a decade, and thus both governments held competing legations in Europe for the span of several years. The holdings of the archive, though extensive, proved of very limited use to this project.

I had better luck with the Biblioteca Tornquist at the Banco Central de la República Argentina and the Archivo General de la Nación. The latter, in particular, holds collections of Argentine presidents and finance ministers, like the Victorino de la Plaza papers, the Julio Roca papers, the Miguel Celman papers, the Juan García papers, the Vicente Fidel López papers and a few others. Most of my time in Argentina was devoted to looking at these papers and talking to Argentine scholars about the literature available and the conditions and organization of archives in Buenos Aires. I was particularly struck by the fact that I could not find the same wealth of materials regarding the financial operation conducted in Europa as I had in the Brazilian case. After my return to London I continued to look for alternative archives that might hold the papers I was looking for. I later learnt that in fact there was an archive that held the specific documents regarding

---

<sup>3</sup> I also consulted the Souza Correia papers that are part of the Oliveira Lima Library at The Catholic University of America.

such operations. It was called the Archivo de la Deuda Publica (Archive of the Public Debt). I also learnt that this archive was, however, destroyed in the late 1990s by government officials in Argentina. I now rely on the notes provided by scholars who worked in this archive before its destruction. On the other hand, I located what might be the presumed lost archive of one of the main Argentine characters in my dissertation. Further research in Buenos Aires in January 2017 will elucidate the exact scope and contents of this archive, now under the custody of a family member.

During the summer of 2016 I conducted archival research in France. My first stop was the Paribas archive in Paris, which holds the archive of the Banque de Paris et des Pays Bas. My dissertation also examines the introduction of continental houses in the market for Argentine and Brazilian securities towards the end of the 19<sup>th</sup> century. Paribas spearheaded this process when it led a mainly-French syndicate of bankers and issued the 1881 Argentine federal loan. The Paribas archive is incredibly rich for both the Brazilian and the Argentine sides of this story. I found extensive documents relating to the several Argentine loans in which Paribas took part during the 1880s and 1890s and also correspondence with the Conde de Figueiredo, a Brazilian banker and entrepreneur prominent during the end of the empire and the beginning of the Republic. Together with the also banker Francisco de Paula Mayrink, Figueiredo seem to be part of a financial network alternative to that headed by Penedo and his acquaintances, and whose interests Rui Barbosa promoted when Finance Minister. Both also remained influent during the first decade of the Republic because they had established links with houses outside the reach of the London financial circles, providing alternative sources of capital for the Brazilian government. I believe that no one has ever consulted this correspondence between Figueiredo and Paribas, and examined the former's role in the establishment of the Republic in Brazil.

In Paris I have also consulted the archives of the Société Générale and of the Crédit Lyonnais, both houses that participated in alternative syndicates that competed with the one led by Paribas. The Société Générale archive holds documents relating to loans raised by provinces and municipalities in the first decade of the 20<sup>th</sup> century, whereas the

collections of the Crédit Lyonnais archive was of limited interest to this project. I have also consulted the collections at the Centre des archives économiques et financières in Savigny-le-Temple, which holds the collection 'Fonds F30'. This collection contains documents from the Administration Centrale du Ministère des Finances, which includes correspondence gathered by the French Finance Ministry regarding Brazilian and Argentinean loans issued in Paris. Finally, I spent the last week of my research trip in France in Roubaix at the Archives nationales du monde du travail looking at the papers of the French Rothschild.

### *Final considerations*

I am currently writing the first chapters of the dissertation, which I expect to defend by June 2018. Extensive archival research was crucial to uncover both the possibilities and the limits of this story. I was only able to develop the framework that informs my work by chasing the paper trail left behind and now preserved in several institutions in two continents. Thus, my dissertation is firmly grounded on archival research, which I was able to pursue due to grants from a couple of institutions, including the *History Project* at Harvard and the Institute for New Economic Thinking. I thank you for your support.